

## Effect of Revised Assumptions

For illustration, the effect of the revised changes to the salary scale and demographic assumptions based on the January 1, 2013 valuation results is shown below.

1. Number of Members:			
Active Members		87,765	
Term. Vested Members		N/A	
Retirees and Survivors		<u>59,019</u>	
Total		136,597	
2. Total Annual Regular Compensation		\$5,783,294,111	
3. Average Annual Regular Compensation		\$65,895	
Actuarial Valuation Results (in thousands)	Prior Assumptions	Revised Assumptions	Increase/Decrease
4. Normal Cost			
a. Total Normal Cost	\$708,542	\$692,142	(\$16,400)
b. Employee Contributions	<u>570,482</u>	<u>572,482</u>	<u>2,000</u>
c. Net Normal Cost	\$138,060	\$119,660	(\$18,400)
5. Actuarial Accrued Liability			
a. Active Members	\$15,720,922	\$15,605,922	(\$115,000)
b. Inactive Members	\$575,000	\$600,000	25,000
c. Retirees and Survivors	<u>21,904,296</u>	<u>22,929,296</u>	<u>1,025,000</u>
d. Total Actuarial Liability	\$38,200,218	\$39,135,218	\$935,000
6. Actuarial Value of Assets	<u>\$21,787,470</u>	<u>\$21,787,470</u>	<u>\$0</u>
7. Unfunded Actuarial Liability: (5d)-(6)	\$16,412,748	\$17,347,748	\$935,000
8. Funded Ratio: (6) / (5d)	57.0%	55.7 %	(1.3%)

The revised mortality assumption was updated in two pieces. In the January 1, 2012 actuarial valuation, we increased plan liabilities by 1.25% to estimate the impact of a revised assumption. The revised assumption was not determined until the January 1, 2013 valuation. The Prior Assumptions column above reflects the results based on the mortality assumption used in the January 1, 2011 actuarial valuation. The figures in the Prior Assumptions column are estimated and rounded.

The actuarial accrued liability (and therefore, the unfunded actuarial liability) increased \$935 million reflecting the revised assumptions. The change in the mortality assumption increased the actuarial liability by approximately \$1.56 billion. The change in the salary assumption decreased the actuarial liability by approximately \$510 million. The changes in the retirement, disability and turnover assumptions decreased the actuarial liability by approximately \$115 million.

The results of the Massachusetts Teachers' valuation represent only one of the components of the total Commonwealth obligation. The Commonwealth valuation results would also include the results of the State Retirement System, Boston teachers, and the local COLA liability.